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ERNEST G. JOHNSON
Executive Director

ARIZONA CORPORATION COMMISSION

September 11, 2009

The Honorable Robert Burns
Senate President
1700 W. Washington
Phoenix, AZ 85007

The Honorable Kirk Adams
Speaker of the House
1700 W. Washington
Phoenix, AZ 85007

Senator Russell Pearce
Senate Appropriations Chair
1700 W. Washington
Phoenix, AZ 85007

Representative John Kavanagh
House Appropriations Chair
1700 W. Washington
Phoenix, AZ 85007

Dear President Burns, Speaker Adams, Senator Pearce and Representative Kavanagh,

As the four of you are already aware, we have an urgent budget issue that must be addressed through legislation no later than September 30, 2009.

The September 4, 2009, veto of SB1025 created a huge funding loss to our Corporations Division. Simply stated, \$2.8 million in anticipated revenue will not be able to be transferred to the Arizona Corporation Commission to fund its operations.

The resultant consequences of the Governor's veto of SB 1025, have significant ramifications to the public and the economy of Arizona. The Corporations Division is immediately impacted and damaged by the loss of funds from annual report filing fees that are not being transferred to the Arizona Corporation Commission.

If a legislative remedy is not passed and signed by the Governor by September 30, 2009, our current service levels, in terms of approving formation documents for nearly 5,000 limited liability companies and corporations, will be immediately impacted by the loss of what was expected to be \$233,000 per month in fees from our corporate customers who must file a report annually.

If our budget is not resolved by September 30, 2009, those citizens wishing to start up a business—businesses that employ people, pay taxes, buy property and provide product and services to the people of Arizona—will begin to see potential delays of several weeks to the current turnaround times for filings.

As each month goes by, with no resolution, these processing turnaround times will continue to grow exponentially and the work queue to examine and approve filings will explode. Simply put, we cannot sustain past October 1, 2009. If the Legislature passes and the Governor signs the legislation and presuming the legislation does not have an emergency clause, the effective date is delayed 90 additional days before the funds would be available to be deposited into the public access fund.

The Corporations Division is the State's repository for all corporate records and annual reports. In addition, it is responsible for examining and approving the formations of all limited liability companies and corporations. On average 4,700 limited liability companies and corporations are formed each month.

It is our collective understanding that there was broad policy agreement to shift the Corporations Division funding from the General Fund to the Public Access Fund. There was no disagreement on how much revenue was needed to allow the Corporations Division to do its job effectively and provide the public with reasonable turnaround times to process filings. The Division's appropriations fund shift and revenue changes were meant to happen jointly.

The loss of nearly \$3 million in revenue will take a huge toll on the Corporations Division and thus impact service levels negatively. Over 80% of the Corporations Division budget is to fund salaries and employee related expenses.

Although we have chosen to focus on the effect upon the Corporations Division, please be reminded that the veto of SB1025 also had a \$1,000,000 shortfall in our Securities Division. It is necessary for fee bill language legislation to be passed and signed so as to avoid a budget shortfall in the Securities Division. The impact of such a large shortfall to the Securities Division's budget, in addition to cuts already enacted, will have a serious and detrimental impact on the Securities Division's enforcement efforts in protecting Arizona investors. This would also need to be remedied as part of any Budget reconciliation.

To put legislative action off until the regular session in January would lead to an April 2010 effective date or later and have absolute dire consequences to the Corporation Commission and to the good people of our State and the economy of Arizona. We encourage you to take immediate action to correct this potentially damaging situation to Arizona's economy.

We are asking you today to follow through on these policy and funding agreements by passing emergency legislation that will remedy this problem immediately and transmit it to the Governor so she can promptly sign it.

We appreciate your support of our constitutional mission and your attention to this difficult budget situation. If you have any questions, feel free to contact our Executive Director, Ernest G. Johnson, at 542-3931, or any of us directly.

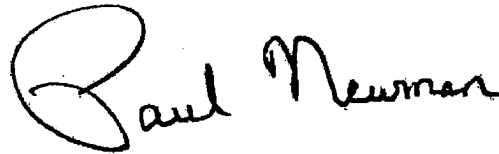
Sincerely,




Kristin K. Mayes, Chairman



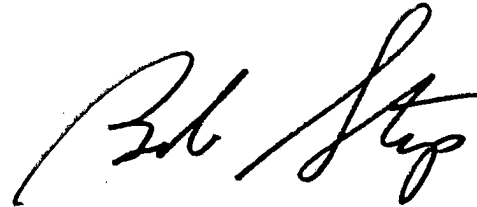
Gary Pierce, Commissioner



Paul Newman, Commissioner



Sandra D. Kennedy, Commissioner



Bob Stump, Commissioner

Cc: Senate Appropriations Members
House Appropriations Members
Richard Stavneak, Director, Joint Legislative Budget Committee
Eileen Klein, Director, Governor's Office of Strategic Planning & Budgeting